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## GENERAL

1. Dutch position on SC Indonesian resolution—US Ambassador
Baruch The Hague reports that Dutch Foreign Minister Stikker
has clearly indicated that the only insuperable objection to
the proposed SC resolution on Indonesia is that it implies a
reconstitution of the Republic of Indonesia to its former status.
Stikker claims that this restoration of the Republic would be
ruinous to the entire Dutch position.

(CIA Comment: CIA believes that the Dutch Government may be forced to modify its stand against a restored Republic by: (a) the continuing rapid deterioration of the Dutch military and economic position in Indonesia; (b) the Dutch Labor Party insistence upon the reestablishment of the Republican Government; and (c) the resolution on Indonesia adopted at the nineteen-nation Asian Conference in New Delhi.)

## FAR EAST

2. CHINA: Reported Chinese-Soviet understanding—US Embassy Nanking has learned that Acting President Li Tsung-jen, through an intermediary to the Soviet Embassy in Nanking, has concurred in principle to a draft agreement between China and the USSR on the following points: (a) strict Chinese neutrality in any future war; (b) the elimination of as much US influence as possible from China; and (c) the establishment of a basis of real cooperation between the USSR and China. According to the Embassy, Soviet Ambassador Roshchin has taken this draft agreement with him to Moscow. Meanwhile, Li Tsungjen has requested the US to issue a statement of approval for his government in order to strengthen the Chinese position in Moscow during Roshchin's visit there.

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(CIA Comment: CIA believes that, rather than seek to realine its aims in China through Li's government, the USSR will wait for the establishment of a Communist regime which would: (a) ensure not only Chinese neutrality but active Chinese participation on the side of the USSR in a future conflict; and (b) more effectively eliminate US in-fluence from China as well as promote Soviet-Chinese co-operation.)